

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 EUR-08 EA-06 NSC-05 NSCE-00 INR-05

CIAE-00 TRSE-00 SP-02 L-01 IO-03 /048 W

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P R 231631Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 3838

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L BONN 17385

LIMDIS

DEPARTMENT PASS TREASURY FOR UNDER SECRETARY YEO
AND ASSISTANT SECRETARY COOPER

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: GERMAN FINANCE MINISTRY POSITION ON IFC AND
OTHER PROPOSALS FOR INCREASED ASSISTANCE TO
LDC'S

REF: STATE 242712

1. WE HAVE NOW ALSO RAISED WITH FINANCE MINISTRY
STAFF (AT ASSISTANT SECRETARY AND OFFICE DIRECTOR
LEVEL) US PROPOSAL FOR EXPANSION OF IFC CAPITAL. WHILE
NOT UNSYMPATHETIC TO IFC PROPOSAL AS SUCH, FINANCE
MINISTRY OFFICIALS TELL US THAT THEY ARE RECOMMENDING
THAT FRG NOT TAKE A POSITION ON THE VARIOUS US AND
OTHER PROPOSALS FOR INCREASING SUPPORT FOR THE LDC'S
BEFORE SOME PRIORITY BETWEEN THE VARIOUS PROPOSALS HAS
BEEN WORKED OUT. THEY FEEL THAT THE REALISTICALLY
AVAILABLE MEANS FOR INCREASED AID ARE VERY LIMITED AND
WILL NOT BE SUFFICIENT TO PROCEED WITH ALL THE PROPOSALS
IN SECRETARY KISSINGER'S UN SPEECH SIMULTANEOUSLY.
SOME PRIORITIES AT LEAST IN TIMING THEREFORE HAVE TO
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BE SET AND FINANCE MINISTRY WOULD VERY MUCH WELCOME

SOME INDICATION OF US PRIORITIES.

2. AVAILABILITY OF ADDITIONAL BUDGET

FUNDS IN FINANCE MINISTRY VIEW WILL BE VERY LIMITED IN MOST DEVELOPED COUNTRIES SO THAT MOST OF ADDITIONAL MONEY WILL HAVE TO COME FROM PROFITS ON SALE OF IMF GOLD. THIS MEANS THAT PROGRAMS HAVE TO BE FITTED MAINLY INTO IMF/BALANCE OF PAYMENTS ASSISTANCE RATHER THAN DEVELOPMENT AID FRAMEWORK. FINANCE MINISTRY OFFICIALS SUPPORT VIEW THAT IMF GOLD SALES HAVE TO BE CAREFULLY HANDLED SO AS NOT TO UNDULY DISTURB THE MARKET. THEY THEREFORE FEEL RESULTING TRUST FUND WILL NOT BE LARGE ENOUGH FOR REVOLVING FUND, BUT INSTEAD ONLY SUFFICIENT FOR INTEREST RATE SUBSIDY OF CAPITAL RAISED BY IMF ON COMMERCIAL TERMS. THEY INDICATE THAT THIS IS NOT YET FIRM GOVERNMENT POSITION, BUT BELIEVE REALITIES OF GOLD MARKET AND NEED TO HAVE FRENCH AGREEMENT WILL MAKE IT SO.

3. FINANCE MINISTRY OFFICIALS (AT LEAST AT STAFF LEVEL) FEEL THAT POLITICAL AGREEMENT ON SCOPE OF TOTAL ADDITIONAL SUPPORT OF LDC'S BY DEVELOPED COUNTRIES SHOULD PRECEDE TECHNICAL AGREEMENTS ON TRUST FUND. THEY FEAR THAT IF IMF EXECUTIVE DIRECTORS MOVE TOO RAPIDLY ON TECHNICAL ASPECTS, LDC'S WILL START TO CONSIDER TRUST FUND AS ALREADY THEIRS AND PROCEED WITH ADDITIONAL DEMANDS.

HILLENBRAND

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, LESS DEVELOPED COUNTRIES, MEETINGS, FINANCIAL PROGRAMS, CAPITAL (FINANCE), DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 OCT 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN17385
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750368-1014
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751026/aaaaawpc.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 75 STATE 242712
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by KelleyW0>; APPROVED <05 JUN 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GERMAN FINANCE MINISTRY POSITION ON IFC AND OTHER PROPOSALS FOR INCREASED ASSISTANCE TO
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006